Rep. John Campbell plans to introduce legislation Tuesday aimed at cracking down on “too-big-to-fail” banks — without breaking them up.

The chairman of the Financial Services Subcommittee on Monetary Policy and Trade is advocating that big banks be required to hold an extra layer of capital that amounts to at least 15 percent of their total assets.

This extra capital would serve as the institution’s “first loss capital,” or assets that would be hit first if a bank runs into financial trouble.

“The bank would have to lose a lot more money than they did in 2008 in order to burn through all the capital that they’ve got,” Campbell (R-Calif.) told POLITICO, adding that it would also incentivize lenders to keep a close eye on a bank’s actions.
“This layer of capital would be the proverbial canary in the coal mine that will scream if something in the bank looks risky, looks in jeopardy.”

Campbell, who put the finishing touches on the Systemic Risk Mitigation Act over the weekend, said his idea is a more prudent solution than breaking up “too-big-to-fail” banks that critics argue would be rescued by the government if they get into trouble because their failure would do too much damage to the economy.

The bill would apply to banks with more than $50 billion in total consolidated assets.

The lawmaker said that breaking up large banks leaves too many questions up in the air: Which banks do you break up? Do you break them up into two regions or 20? Do you break them up by region or by business line?

Campbell said banks should be free to decide how big or small they want their institution to be, so long as they maintain the required capital cushion.

“The banks have to be really safe and boring or they may choose to be smaller and break themselves up,” he said. **“They’ll be doing it in the best interest of their shareholders and their customers.”**

The introduction of the Systemic Risk Mitigation Act comes as some lawmakers from both sides of the political aisle have pushed for greater scrutiny of whether some of the country’s biggest banks are receiving an unfair advantage from the perception that they are “too-big-to-fail,” such as through cheaper funding.

Campbell said he is confident that the legislation can garner bipartisan support, although he has yet to seek potential co-sponsors of the bill.

There is **“strong bipartisan interest in things that will make smaller banks able to compete better with larger banks and you can’t do that without fixing ‘too-big-to-fail,’”** he said.